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THE RELATION BETWEEN AGRESSION AND BUSINESS STRUCTURE IN GERMANY

SUMMARY

25 August 1943

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SUMMARY

1. The relatively late establishment of industrialism in Germany, and its rapid growth there, once established, prevented the evolution of political and social institutions suitable for an industrial economy. Instead, industrial economic institutions were superimposed upon a semi-feudal society dominated by the landed nobility.

2. After the abortive revolution of 1848, German industrial leaders gradually joined forces with the landed nobility to supress the socialist tendencies of the working classes. As a result, a liberal middle-class philosophy never became an important element of German life.

3. The support of political absolutism by industrial leaders meant that, in turn, no obstacles to the growth of monopolies arose from the political side, as they had in England and France. This fact, combined with the rapid development of large-scale industry, largely accounts for the distinctive monopolistic character of the German market structure.

4. Politically, the monopolists tended to support an aggressive foreign policy for two reasons: first, they wished to secure more complete control over foreign markets, and second, they wished to secure a more certain supply of raw materials.

5. A desire to safeguard investments and prospective investment opportunities is also an important source of business aggression. But since it is not directly related to the nature of markets, it is not considered in the present paper.

The German Empire, 1817-1914

6. Adoption of the Tariff of 1879 and formation of the German Colonial Society were the first manifestations of an aggressive foreign policy on the part of German business interests in the period of the Empire. The former indicated that industrialists looked to the state for the furtherance of their interests, while the latter marked the beginning of commercial agitation for the acquisition of colonies.

7. In the decade 1880-1890, foreign policy was heavily influenced by commercial groups which favored the acquisition of a large colonial empire. Working through their own representatives in the government, and through propaganda agencies, these groups succeeded in committing the non-expansionist Bismark to a policy of colonial acquisitions which culminated in the growth of a large German colonial empire.

8. After 1890, the rapid development of the steel industry resulted in a transfer of political influence from commercial interests to heavy industry. The latter supported a program of large armaments and developed a "nationalist" spirit through its representatives in the Reichstag, through financing of patriotic societies and through the acquisition of important newspapers.

The War Years, 1914-1918

9. In the war period, the aggressive tendencies of industrial and commercial groups became much more apparent, for the business leaders no longer hesitated to show their hands.

10. Particularly in the controversy over war aims, it became clear that the representatives of large industrial groups were highly aggressive. This is best seen in the petition of the six economic associations, a document addressed to the Chancellor by "those occupied in business pursuits." The petition demanded the annexation of Belgium, of the industrial region of France, and of large agricultural areas in the east, together with the acquisition of a more extensive colonial empire. It further requested the complete economic subjugation of the annexed territories to German business interests.

11. Although most of the requested annexations were demanded for military as well as industrial reasons, the fact that annexations were consistently opposed by non-business interests--particularly labor groups--lends strong support to the belief that the six economic associations and their industrial supporters were largely motivated by the undoubted business and industrial advantages of the proposed annexations.

The Weimar Period

12. The years of the German Republic were characterized by a struggle for power between the old ruling classes -- the landed nobility and the industrialists -- and the German people.

13. Corresponding to this basic issue were three main attitudes toward foreign policy. First, the internationalists, supported by the Social Democrats and other liberal groups, favored disarmament, free trade, and the establishment of a genuine world order. Second, the followers of Stresemann, representatives of German light industry, while supporting internationalism, regarded it mainly as a device to regain lost power for Germany. No genuine world order was contemplated by the followers of Stresemann. Third, the intransigeants, including the Nationalist and National Socialist parties, favored rearmament, renunciation of the Versailles Treaty, territorial expansion, and the development of a strong nationalist sentiment.

14. With the exception of a few such men as Walther Rathenau, practically no German industrialists were genuine internationalists. In general, light industry supported the policies of Stresemann, while heavy industry was strongly nationalist and expansionist.

15. By 1931, the balance between light and heavy industry had shifted in favor of heavy industry. Thereafter, the policy of organized business reflected largely the heavy industry point of view.

16. Heavy industry had laid the foundation for rearmament in Germany long before Hitler's rise to power, partly by the establishment of foreign research departments, partly by organizing their plants for conversion to war production.

17. In addition to their rearmament activities, the industrialists carried on extensive anti-republican and pro-nationalist propaganda campaigns through newspapers, press agencies, and advertising bureaus.

18. This dual program culminated in the support of Hitler's rise to power.

The National Socialist Period

19. From the time of Hitler's rise to power until the outbreak of the present war, strict censorship in Germany prevented the publication of expansionist desires of business leaders, since such aggressive policies were contrary to the Nazi's nominally peaceful foreign policy. For this reason it is necessary to rely on indirect evidence of industrial aggression.

20. Indirectly, it is possible to establish the identity of interests of the National Socialists and the industrial leaders in three different ways. First, control of most of the industrial self-government associations has been placed in the hands of industrial leaders. Second, private concerns in Germany have assumed responsibility for the exploitation of economic resources in occupied territory. Finally, a large interpenetration of personnel in the government, the army and industry may be established.

21. From these developments, it is clear that National Socialism represents a continuation and intensification of the aggressive foreign policy which heavy industry sponsored in the Weimar period and the period of the Hohenzollern Empire.

Conclusion

22. From the foregoing, it is evident that elimination of the expansionist pressure of German industry is a prerequisite to the establishment of a peaceful world order.

23. Liquidation of heavy industry in Germany, while accomplishing this result, would entail such serious economic dislocations that it cannot seriously be considered.

24. Curbs on monopoly and on centralization of wealth and power should reduce the aggressive influence of German industry, but probably will not provide a complete solution to the problem.

25. Elimination of trade barriers surrounding Germany's markets and raw materials sources provides an indirect means of reducing the incentive to expansion. With free trade, Germany's industrial power will no doubt increase, but her self-sufficiency for war will be impaired by a decline in her agricultural industries.

26. In addition to the above measures, steps should be taken to destroy the political power of the industrial groups and landed aristocracy. This means not only the establishment of a democratic form of government, but also extensive land reform, cleansing of the civil service, judiciary, and armed forces of all anti-democratic elements, and nationalization of arms-producing industries.

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THE RELATION BETWEEN AGGRESSION AND BUSINESS STRUCTURE IN GERMANY

I. INTRODUCTION

Industrialism came relatively late to Germany and rested on technical and organizational knowledge which had been acquired slowly and painfully in other countries, especially Great Britain. As a consequence, instead of moulding a society peculiarly suitable to its nature as happened in England, industrialism was superimposed upon a set of institutions which derived their form and vitality from the conditions of a pre-industrial economy. These institutions are commonly spoken of, not quite accurately, as "feudal" in character. Most important are a monarchical form of government with an absence of popular sovereignty, and a ruling elite of landed nobility.

It is not to be supposed that there were never any currents in German life similar to those which gave birth to liberalism and democracy in the countries to the west. In western and southern Germany, as well as in the commercial centers of the north and east, liberalism made great forward strides during the first half of the nineteenth century, and it seemed for a time in the crucial year of 1848 that Germany might enter upon the path of constitutional democracy. But in the event Prussian reaction triumphed, the liberal forces were suppressed, many of the most active fighters in the democratic cause migrated to America. Thereafter liberalism never played a decisive role in Germany's development.

Among the reasons for the eclipse of liberalism, the rapid growth of large-scale industry must be given first place. In a relatively short time Germany passed from a state of economic backwardness and stagnation to the leading industrial position in Europe. Correspondingly there grew up two new classes in German society: industrialists and factory workers. Unfortunately neither was inclined to a liberal outlook or to liberal policies. Objectively it might seem that the industrialists and the workers could join forces to depose the feudal ruling class and establish a constitutional democracy; after all, that was essentially what happened in England and France. But in Germany this stage was skipped altogether. The workers began almost from the outset to develop in a socialist direction -- it is no accident that the theorists of modern socialism were Germans, nor that already in the 1870's Germany had a united socialist party which was much more advanced in every respect than any other socialist group in the world. The industrialists were naturally strongly opposed to socialism and feared to weaken the feudal ruling class since the latter obviously constituted a bulwark against socialism. The overthrow of absolutism in England and France took place before the laboring classes had begun to plan an independent part in politics. It was a middle-class achievement in which labor was used but kept strictly in its place; in Germany the industrialists could not attack their enemies on the right without strengthening their enemies on the left to an altogether dangerous degree. The feudal ruling class, seeing that it was in a strategically advantageous position, made the necessary compromises which enabled it to keep its prerogatives and power. This set of relations, here summed up very crudely, is the indispensable key to the understanding of modern German history.

Since the new class of industrialists had no wish to overturn absolutism, it had necessarily to make its peace with it. This was all the easier because many of the industrialists were scions of noble houses for whom there was inadequate opportunity for a career in the army or the bureaucracy. Liberalism never had a chance to become a dominant force; as a philosophical and political outlook it satisfied the requirements of too few elements in German life.

Absolutism and paternalism in politics naturally had their counterparts in economics. Competition fosters democracy, and democracy in turn is hostile to the growth of monopoly. Absolutism, on the other hand, is favorable to monopoly, and monopolists realize that genuine popular government is their deadly enemy. This is one explanation why monopoly has all along been the organizational principle of German economic life; a second reason, perhaps no less important, is to be found in the fact of Germany's having borrowed an already advanced industrial technique. Large-scale production grew very slowly in England; in Germany it blossomed forth virtually overnight. Large-scale production tends to produce monopoly. Where there are no obstacles from a tradition of competition and small-scale production and none from the political authorities, it may be appreciated that monopoly spreads like weeds in an untended garden. So it was in Germany. Political absolutism and economic monopoly went hand in hand.

Large-scale industry spread until it became the dominant institutional force in German life. This meant, necessarily, a proportionate strengthening of the power of the industrialists. While the actual machinery of government remained, until after World War I, in the hands of the aristocracy, the policies which were pursued were increasingly the policies of industry. In foreign affairs this shift in relative power as between landed aristocracy and industry shows itself in the shift from the cautious policy which Bismarck pursued once the unification of the empire had been accomplished, to the adventurism of William II which must be accounted one of the primary causes of the outbreak of war in 1914. This implies that the industrialists were on the whole more aggressive in their attitude toward the outside world than the nobility.[1] This may seem surprising to any one unfamiliar with German history, and unfortunately we have not the space to examine the problem in detail. But we can do what is important for the purposes of this paper, namely, suggest the general reasons which underlie this aggressive spirit of German industry. In so doing we shall make it easier to understand the findings of later sections.

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1 The view is confirmed by Vagts who points out that the army and particularly the Junker officer caste was never strong for expansion either overseas or in the Near East in the period prior to 1914. Middle-class officers were more expansionist than noble; the navy, which, being a new organization, was staffed almost entirely by middle-class officers, was "the most imperialistic element in the Reich forces." Alfred Vagts, A History of Militarism (1937), p. 424.

In order to understand the phenomenon of economic expansionism one must first grasp the economic significance of national frontiers. In a perfectly free-trade world from which all discrimination based on nationality was absent, frontiers would have no economic significance and the roots of expansionism, if indeed it existed at all, would have to be sought elsewhere than in the economic field. But of course such a conception is unrealistic. As a matter of fact, economic pressures make economic barriers out of national frontiers, and economic barriers generate expansionist pressures. The process is extremely well illustrated by the case of Germany.

Modern protectionism in Germany may be said to date from the year 1879. Industry, still in its youth, wanted protection from English competition; agriculture wanted protection from the western hemisphere and from eastern Europe. Over the protests of the waning liberalism of the commercial classes, Bismark cemented the alliance of the two ruling powers of imperial Germany in the tariff of 1879. German industry, predisposed to large-scale production and combination, grew more rapidly than ever; trusts and cartels, sheltered from the competition of foreigners, spread, with official blessing, to cover the key areas of economic life.

Monopoly finds its rationale in a policy of restrictionism and high prices. Restrictionism, in turn, tends to produce excess capacity, that is to say an incomplete and inefficient utilization of existing productive facilities. The monopolist suffers from a chronic "shortage of markets" and he is always on the lookout for new outlets for his products which will enable him to utilize his plant to capacity and to maintain or increase his profits. In the long run the problem is accentuated by the widely-observed propensity of large firms to expand their capacity by "plowing back" a part of their earnings. Under the circumstances, the continuous extension of the foreign market is naturally a prime concern of the monopolist. But there are ordinarily obstacles in the way which are not easily overcome; first, foreign competition which is much more serious than in the protected home market; and second, artificial barriers in the form of tariffs and the like which often surround the foreign market. The monopolist can attempt to expand his foreign market by the device of dumping which, however, is more than likely to provoke retaliation. In the long run, therefore, the monopolist can seek a solution of this problem in two directions. He can come to an agreement with foreign producers to mitigate their mutual competition and to divide up "neutral" markets on some rational basis. This, of course, is the fundamental content of the so-called international cartel which has played such an important role in international economic relations since the turn of the century. Secondly, the monopolist can try to induce his own government to pursue an expansionist policy which will have the effect of continually extending the scope of his protected market. So long as the incorporated areas do not include potentially dangerous competitors, this course has much to recommend it from the monopolist's point of view. It signifies the permanent exclusion of foreign competition from the annexed areas: a bigger and bigger monopolized and protected market must always seem the best solution. The proviso that the incorporated

area must not contain dangerous rival producers accounts for the fact that expansionist aims are ordinarily directed at economically less developed countries. Thus, in the case of Germany, expansionism has always been directed primarily toward the east and overseas.

Pressures to expansionism arise also from the raw material side. Here again it is a question of eliminating actual or potential barriers to trade, of bringing sources of raw materials into unobstructed intercourse with users. These barriers are chiefly of two kinds: tariffs designed to protect a domestic raw material industry, and the exactions of foreign monopolists. Raw material production within the national frontiers will always hold out the prospect of a cheaper and steadier source of supply. Moreover, it will open up opportunities to a combine or trust for "backward" integration which otherwise would not exist. These considerations account very largely for German concern over the iron of Lorraine and the coal of upper Silesia.

The general considerations set forth in the preceding paragraphs apply, of course, in greater or less degree to all countries, but it is clear that they have had particular force in Germany. Large-scale, highly efficient industry developed rapidly in a country which was neither very large in area nor very richly endowed with raw materials. Its unparalleled organization in monopolistic forms inhibited the growth of the home market and channeled attention outward. Under the circumstances the translation of economic pressure into territorial expansionism and a "Lebensraum" ideology was the inevitable outcome. Monopolistic industry has been, throughout the last seventy-five years, a force pushing Germany in the direction of expansion and aggression.

In the succeeding sections we shall attempt to describe some of the highlights of this continuing relation between monopolistically organized industry and foreign aggression.[1]

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1 A further factor which makes for expansionism, namely foreign investments, has not been touched upon in the above analysis. It is true that capital-exporting countries gain advantages in the way of security and special privileges from political control over capital-importing areas. This has certainly been an element in the expansionist attitude of Germany's capital-owning classes. But this factor does not seem to be directly related to the highly monopolistic structure of German industry, and it has seemed justified to neglect it in this paper. In any final evaluation of the evidence presented in subsequent sections, however, the role of foreign investment could not be neglected. Our purpose in this brief survey has been the more modest one of demonstrating the existence of certain relationships in modern German history without attempting the much more difficult task of assigning quantitative weights to the various casual factors at work.

II. THE HOHENZOLLERN EMPIRE, 1871-1914

In the first decade following the establishment of the Empire, Bismarck's concept of the "satiated power" truly dominated Germany's international position. The German Empire showed almost no expansionist tendencies. The seventies were years of internal consolidation, of adjustment to the new political and economic situation which the unification had brought. Rapidly expanding industry, only briefly checked by the depression of 1873, was fully occupied in satisfying the demands of the newly-created domestic market.

The period of satiation, however, was short lived. As early as 1879, industry began to feel the need for a tariff to protect the home market. Departing from the traditional position of the German middle classes, industry turned to the state for a barrier against its British competitors. The quest for a protective tariff in itself, of course, was not "aggressive." But it marked the beginning of a profound change in the structure of the German economy. The industrial interests won a decisive victory over the free-trade-minded commercial group which had hitherto dominated German middle-class thinking. Henceforth the state was to be regarded no longer as a simple guardian of law and order, under which free competition could flourish, but as a fostering mother of economic prosperity. The tariff of 1879 was a recognition of the mutual identity of interest of industry and the German state.

The year 1879 also marked a change in the attitude on the part of certain portions of the commercial classes toward state intervention in economic life. To be sure, the opposition of their Reichstag representatives to the tariff was vigorous. But they sought compensating support from the state in other forms. The German Colonial Society, which quickly won the support of important shipping and banking interests, was founded in 1879. The first head of this organization for colonial propaganda, Dr. Friedrich Fabri, an ideological nationalist, was not identified with any economic group. But he soon yielded his place to Dr. Hubbe-Scheiden, organizer of the German New Guinea Company in 1882, who was connected with the shipping firm of Woermann and with the Diskontogesellschaft.[1] The party of industry, the National Liberal Party, quickly joined in the colonial agitation of the early eighties. Johann Miquel, later the leader of the National Liberals, founded a second colonial society in 1882, which included Bennigsen, von Cunz, von Eyern, and other National Liberal leaders with Diskontogesellschaft connections.[2]

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1 Hallgarten, Vorkriegsimperialismus, unabridged ms. edition, 423-424; Sander, Geschichte der deutschen Kolonialgesellschaft II, 51 ff.

2. See the proceedings of their Berlin meeting: Frankfurter Zeitung, 24 February 1885.

The shipping interests and trading companies which had established trading posts in Samoa, New Guinea, and Africa began in the early eighties to seek the support of the state. Their tactic was two-fold: to work upon the state through personal connections in the bureaucracy,[1] and to create through propaganda a public opinion which would bring pressure upon the state to espouse the colonial cause.

The pressure for state action on behalf of the colonial interests bore rich fruit in the eighties. Bismarck, who described himself as "no colonialist by nature," was soon converted. Neither his primary preoccupation with Germany's security on the European continent nor his conservative agrarian political orientation prevented his advocacy of colonial expansion and the subvention of the interests which sponsored it. His earlier hostility to the business classes yielded to the realization that to champion their interests would enhance the power of the German state.

In requesting a subvention for the North German Lloyd, he expounded his new viewpoint to the Reichstag:[2]

> "Yes, gentlemen, these rich business men are after all human beings -- yes, even Germans! (laughter) They have the same claim upon the protection of their wealth, in proportion to the magnitude of their enterprises, as the rich Englishman claims from his government. If England did not have so many more millionaires than we, she would not have a middle class so much larger than ours. The one depends upon the other. Make us lots of millionaires! We have few rich houses today, but I hope, wish, and shall try by every means at my disposal, to bring many such into being in our nation."

Bismarck's expansionist policy, the result of pressure from shipping and banking interests and from the public opinion they helped to foster, brought Germany the Cameroons and Togo, German East Africa, Angra Pequena (later Southwest Africa), and colonies in the South Seas. The foundation of the German colonial empire had been laid.[3]

In the colonial expansionist movement of the eighties, heavy industry had not played a discernible role. Political leadership of the business groups, after the brief success of industry in the tariff of 1879, had relapsed into the hands of the commercial and banking groups: Woermann, Hausemann, Bleichroder, et al.

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1 E. G., Kusserow in the Foreign Office, the brother-in-law of A. Hansemann of the Diskontogesellschaft, was an ardent advocate of the colonial cause.

2 Speech in the Reichstag - 13 March 1885.

3 A good brief discussion is to be found in Hartung, Deutsche Geschichte, 1871-1919 (1930), Sec. 10.

It was not until the nineties that heavy industry achieved the strength and maturity necessary to become a decisive force in political life. In the late eighties, the foundation of Germany's industrial might was established by a technical development: the Thomas-Gilchrist process, which permitted the ready use of phosphoriferous ores in the production of steel, thus making possible the Briey-Ruhr iron-coal relationship. The rapid technical progress of the eighties not only stimulated production, but also intensified industrial concentration as a means of securing and exploiting the sheltered market which large capacity required.

German heavy industry quickly came to regard the state as its most important customer. The particular focus of its political activity was to increase the German armament program. Not that heavy industry consciously "wanted war." But armaments orders would constitute an assured continuous market for Germany's steel production capacity.

The National Liberal Party regularly supported the government military budgets in the Reichstag. But for the more powerful armaments interests, simple parliamentary action in support of a larger military establishment was not far-reaching enough. The public had to be made conscious of Germany's "national interest," had to be imbued with a sensitivity to Germany's position as a world power. Public opinion would thus support the government in its struggle with the Centrists, Socialists, and Left-wing Liberals of the Reichstag.

To this end, heavy industry enlisted the services of skilled public relations counsellors and press men. During the nineties Stumm-Halberg, the leading figure in the heavy industry of the Saar, purchased Die Post; Krupp bought out the Berliner Neueste Nachrichten and its able editor Schweinburg. Hugo Stinnes controlled the Norddeutsche Allgemeine Zeitung. The Rheinisch-Westfalische Zeitung of Dr. Reismann-Grone became the organ of Emil Kirdorf, later the head of the Rhenisch-Westfalian Coal Syndikat.[1] These papers pursued a markedly nationalistic line, but were not, with the exception of the Rheinisch-Westfalische Zeitung, extremist in their nationalism, The figure of Dr. Alfred Hugenberg, one of the most brilliant public relations counsellors of all time, influenced their policy considerably. He urged that each subsidized newspaper should pursue an independent line in order to avoid the impression of unanimity. Consequently, the only common feature observable was the dominance of the idea of national interest.[2]

Patriotic societies also were exploited by heavy industry to increase the national consciousness and aggressive spirit of the German public. The Pan-German League, founded in the early nineties in protest against William II's surrender of Zanzibar to Great Britain and against his preoccupation with social reform, is one of the few genuine ideological archetypes of the National

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1 E. Kehr: Schlachtflottenbau und Parteipolitic, 1894-1901, Berlin, 1930, p. 170.

2. Ludwig Bernhard: Der "Hugenberg Konzern" Psychologie und Technik einer Grossorganisation der Presse. Berlin, 1928 p. 57-58

Socialist movement. Aggressive, anti-semitic, anti-marxist, anti-Catholic, and anti-parliamentarian, the Pan-German League was dedicated to the expansion of Germany's military power and the extension of its colonial empire.[1] So extreme was the program of the Pan-Germans that it never won more than a small following.[2] Yet from the outset the organization numbered among its leaders men close to industrial circles: Dr. Hugenberg, Krupp public relations man; the publicist, Dr. Reismann-Grone and his assistant editor Dr. Heinrich Pohl of Mülheim on the Ruhr; Karl Klingeman, the pastor of the elder Krupp at Essen; Paul Simons, an industrialist of Elberfeld; Emil Kirdorf, later director of the Coal Syndicate; Rottweilen gunpowder interests, the Burbacher Hütte, and the House of Haniel were also represented.[3] Of the membership of the League at its height, 47 percent belonged to the National Liberal Party.[4] It is clear that extremist nationalism, confined though it was to a lunatic fringe in those days, enjoyed a large measure of industry support.

The development of industry's techniques of political pressure is well exemplified in the campaign for a large naval construction program. In the agitation for the first law, 1897/1898, the armour plate manufacturers worked through the National Liberals in the Reichstag and through behind-the-scenes political pressure. (Woermann of the shipping lines followed a more open propaganda policy at that time.)[5] The naval bill was passed, but the success was not overwhelming. Heavy industry and the government had won little support for this program from the working classes which were under the influence of the anti-imperialistic Social Democrats. The conservative agrarians, still a powerful influence in the state, had supported the measure only to preserve the coalition of conservative business and conservative agrarian political parties on which the high grain tariff rested.

The leaders of heavy industry -- especially the armour plate manufacturers -- saw that, if further armament expansion were to be achieved, the popular basis for such a program would have to be widened. Krupp in particular devoted himself to the task. Only four weeks after the first naval law was passed, the editor of Krupp's newly purchased Berliner Neueste Nachrichten formed the German Fleet Society, a popular organization. Until the World War, the Fleet Society agitated incessantly for the expansion of Germany's naval strength, in which it saw the solution of the social question, the answer to English commercial competition, and the future

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1 M. Wertheimer, The Pan-German League, Passim.

2 The highwater mark was reached after the Boer War crisis, in 1901, when the membership reached 21,924. (Wertheimer, op. cit., 54.)

3 Hallgarten ms., 626; H. Class, Wider den Strom, 46-53.

4 Wertheimer, op. cit., p. 133.

5. Kehr: op. cit., 170. Hallgarten, Vorkriegsimperialismus, abridged edition Paris, 1935, 180.

health and prosperity of the German nation.[1]

The work of the Pan-German League, the Fleet Society and other patriotic societies did not of themselves produce the aggressive policy of the German state. That policy was the product of a complex of factors. William II's disillusionment over his failure to smash Social Democracy by the extension of the paternalistic social program, the need for a tariff to preserve the economic basis of the power of the East-Elbian aristocracy, and the direct effort of industrial interests to achieve control over the German state for its own ends by supporting its international program. But the patriotic societies -- colonial, pan-German, naval and military -- sedulously fostered by German heavy industry, contributed in so small measure to the creation of the intense nationalism of the German middle and upper working classes, upon which the aggressive policy of the German state -- then and now -- was built.

After the turn of the century, heavy industry through its press and the National Liberal Party, regularly supported the adventurist foreign policy of William II. Only the electrical industry constituted an exception, with the Rathenaus of General Electric opposed to the mounting friction with Great Britain. Heavy industry was involved in all the major diplomatic crises: Morocco, Bosnia (where it exercised its influence to prevent war because of its interest in the Bagdad Railway), Agadir, etc. Its interest had become inextricably linked with the expansion of the military might and territorial aggrandizement of the German state. Directly, in the Reichstag, and indirectly, through the conversion of nationalism from a liberal to a reactionary force, heavy industry made a decisive contribution toward the aggressive character of Imperial Germany.

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1 Kehr, op. cit., Ch. IV, Passim.

III. THE WORLD WAR YEARS

In times of peace it is often difficult to learn much about aggressive tendencies of various elements in a country from a study of published documents and official papers. The aggressive groups do not dare to express their true attitudes; to do so would invite a storm of criticism from the great majority of peace-loving citizens. Aggressive attitudes are, therefore, disguised as proposals for "defensive" measures. Frequently, even the source of these defensive measures is hidden. An aggressive business or agrarian group, for example, may disguise its attitude by secret financial support of a political party whose program calls for strong nationalist measures. In cases such as this, it is extremely difficult to show that a particular economic group has an aggressive foreign policy.

But in times of war the foreign policies of different economic groups become sharply crystallized. Aggressive groups no longer need to disguise their views, for the entire community has been committed to a policy of military operations. Speeches, petitions of business leaders, newspaper articles, and open letters dealing with questions of foreign policy then serve clearly to distinguish the aggressive groups from the non-aggressive groups. A business leader who formerly expressed his views only in financial support of a high tariff political party may now actively support a program of territorial annexations, industrial domination, and colonial acquisitions. Thus in war times the true aggressors show their hands.

This was particularly true of the period 1914-1918 in German history. The controversy over war aims produced many documents -- both official and unofficial -- which give a clear insight into the attitude of various groups in Germany toward military aggression. The successes of the German army in the early stages of the war naturally led to demands from many quarters for clarification of war aims. Petitions requesting an official statement of war aims were addressed to the Imperial Chancellor by industrial leaders, agricultural groups, professional associations, and labor organizations. Although an attempt was made to suppress discussion of war aims (particularly discussion of annexations), the controversy nevertheless did in time reach the public press. At no time during the period of German military advance, however, did the Imperial Chancellor present an official view of his government's attitude toward annexations of occupied territories or toward the acquisition of an expanded colonial empire. To some extent this official reluctance was probably based upon strategic considerations; the authorities did not wish to tie their hands by premature statements of policy. Apart from this, however, the German government, no doubt, suppressed discussion of war aims for domestic political reasons. Many of the German people supported the war effort in the belief that Germany was fighting a defensive war. Disclosure of the expansionist ambitions of powerful groups in Germany would consequently have led to widespread disillusionment and disunity. Only by concealing the true aims of the aggressive elements could the German government maintain domestic political stability.

From the secret petitions of German industrial, commercial, agricultural, and political groups, together with occasional speeches of business leaders and statesmen and a very limited press discussion of war aims, the following conclusions may be drawn.[1]

1. The industrial and agricultural leaders of Germany were highly aggressive in the war period: in general, they favored an extensive program of annexation of foreign territory, and the acquisition of a large colonial empire.

2. The organized labor groups and left-wing political parties supported the war in the belief that it was a defensive war. They consistently opposed annexations and colonial acquisitions.

3. The most aggressive political parties were the conservative parties which derived their chief support from industrial, commercial and landed interests.

4. The center parties, such as the Catholic Zentrum, adopted an intermediate position, favoring only limited annexations for strategic reasons.

The attitude of the industrial and agricultural leaders is most clearly shown in a petition of 20 May 1915, which six German associations addressed to the Imperial Chancellor. The six associations were (1) the League of Industrialists, (2) the Central Union of German Industrialists, (3) the League of Middle-class citizens in the German Empire, (4) the Agrarian League, (5) the German Peasants League, and (6) the Christian German Peasants Union.

Speaking in behalf of "... those occupied in business pursuits, whether in agriculture or manufacture, in handicrafts or trade," the six economic associations set forth the following war aims:

1. Acquisition of "a colonial empire adequate to satisfy Germany's manifold economic interests."

2. Subjection of Belgium to German Imperial legislation "in both military and tariff matters and also in regard to currency, banking, and postal arrangements."

3. Management of the Belgian government in such a manner that "the inhabitants shall exert no influence on the political fortunes of the German Empire."

4. Transfer of all economic and industrial undertakings and real estate in Belgium to German hands.

5. Acquisition of the French costal region as far west as the Somme, together with all hinterlands necessary to secure the complete economic and strategic exploitation of the channel ports.

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1. An extensive collection of relevant materials is provided by Lutz ed. The Collapse of the German Empire, 1914-1918, Vol. I.

6. Annexation of the fortresses of Verdun and Belfort, together with the western slopes of the Vosges between them.

7. Transfer of all economic resources of the annexed regions of France to German hands, and exclusion of the French populace from participation in political affairs.

8. Acquisition of agricultural lands on the eastern front, largely from Russia, and denial of political rights to the inhabitants of these regions.

The petition emphasizes two purposes which these measures were designed to serve. First, annexations and colonial acquisitions were intended to increase Germany's economic potential. A large part of the suggested territorial gains in the West was intended to secure for Germany the coal fields of Northern France, together with the iron ore districts of Luxembourg and Lorraine. After enumerating the suggested French annexations, the petition states: "Any forther acquisitions of French territory, apart from the necessary annexation of the iron ore district of Briey must be determined solely by military and strategic considerations." This shows clearly that the six associations were primarily interested in the industrial advantages of the French territory, and that the problem of security was secondary in their view.

In the East, agricultural lands were to be acquired to maintain the balance between industry and agriculture which would otherwise have been upset by the industrial annexations proposed for the West. Here again, economic considerations appear to play a dominant role. Throughout the petition, emphasis is placed upon the acquisition of additional economic resources.

Apart from industrial and agricultural considerations, however, the advantages of the proposed annexations from a military point of view are also stressed. The petition points out that "... our military successes, particularly in a long war, and their further exploitation, depend to a large extent upon the economic strength and ability of our people. If German agriculture had not been in a position to secure the food of the people... and if German manufacturers, German inventive genius, and German technical skill had not been able to render us independent of foreign countries in the most different spheres... we should have had to give way eventually... if indeed we should not have been defeated already."

Throughout the petition, the importance of economic power as an aid to military power is emphasized. Indeed, each specific proposal for annexation is accompanied by appropriate economic and military arguments. Annexation of Belgium is recommended both to increase Germany's industrial resources and to deprive England of a point of invasion. Likewise, the French annexations are proposed both for industrial and military reasons. Finally, the petition suggests the agricultural annexations in the East, both to secure a balanced economy for Germany and to increase her ability to support a large population to bear arms against her enemies. In short, the six economic associations envisaged their program as a means of adding to Germany's economic strength and at the same time

preparing for the next war. Security, in their view, could be attained only by economic expansion.

Taken by itself, the petition of the six associations provides a clear picture of the aggressive tendencies of German industry in the war years. But one point must not be overlooked. Many of the military and strategic arguments of the petition may appear to be both cogent and reasonable. Thus it is at least conceivable that the industrial and agricultural groups sponsoring the petition were moved entirely by patriotic considerations having no direct connection with their occupations. If this were true, however, one should expect the sentiment for annexations to be equally widespread in other segments of the community. In other words, if the aggressiveness of industrial leaders in the war years was motivated solely by a desire for military security, and not by industrial considerations, this same attitude should be evident in groups who have no economic interest in expansion. On the other hand, if the aggressiveness of the business leaders was largely economic in origin, one should expect the non-business groups to display less aggressiveness than the business interests. For this reason it is necessary to examine not only the attitudes of business men toward annexations, but also the point of view of non-business groups.

Consider first the attitude of the trade unions. Some months after the petition of the six associations had been presented to the Chancellor, Dr. Delbrück, editor of the Preussische Jahrbücher, published a critique of the annexationists' program in his own journal. He pointed out that Germany might seek to secure herself against her enemies by the Roman method of complete subjugation, or by the Napoleonic method of territorial annexations, retention of fortified positions, and economic strangulation of the enemy. He rejected the Roman method on humanitarian grounds, and the Napoleonic method on the ground that it did not prove successful in Napoleon's own case. "May God forbid that Germany will enter the path of the Napoleonic policy," he says. "Wars without end would be the consequence. However heavily we might chain other nations, we cannot keep them in fetters forever. Europe stands united in this one conviction: it will never submit to a hegemony enforced upon it by a single state." These words of Dr. Delbrück are quoted with approval in Vorwärts, official organ of the Social Democratic Party whose chief support at that time was derived from the trade unions. During the period of the controversy over war aims, the Social Democratic Party, through the pages of Vorwärts, repeatedly expressed its opposition to all annexations except those absolutely necessary for military reasons. The Parliamentary Committee which investigated the causes of the German collapse, reported that, "German Social Democracy of all shades... steadfastly adhered in principle to a peace without annexations from the first to the last day of the war."[1]

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1 Die Uraachen der Deutschen Zusammenbruchs im Jahre 1918, 4th series Vol. 12.

In place of annexations, the Social Democrats proposed an open door policy in all colonial possessions, the insertion of "most favored nations" clauses in peace treaties, reduction of tariffs, and maintenance of freedom of the seas.

The Social Democratic utterances of the 1915 controversy leave no doubt, first that the Social Democrats believed Germany could be made secure without extensive annexations, and second, that they regarded the annexationist programs of the National Liberal Party and the six economic associations as primarily economic in character. The latter view was shared by eminent authorities. After an extensive study of the controversy, Veit Valentin, historian of German foreign policy and formerly of the German Foreign Office, wrote:

> "The most painful aspect of the great struggle over the German war aims, which in essentials turned upon the question of annexations, is the circumstance that economic interest exercised such very strong influence and suppressed all higher considerations from the cultural and human standpoint. Behind the six economic associations stood, indeed, the most important personalities of German agriculture and industry."[1]

The belief that the annexationists were primarily interested in economic gain is not confined to the Social Democrats and research scholars. Indeed, a conservative member of the Reichstag, Dr. Gertel, openly defended the economic point of view at the time. Writing in the Deutsche Tageszeitung, in 1915, he said:

> "... it had been generally and repeatedly demanded with great firmness that the peace justify the great sacrifices which have been made by the German army and by the German people, and that the peace, if possible, secure the future of the Reich and the German nationality. ... to renounce on principle every extension of territory in Europe which is not demanded and does not accord with military reasons, would not be compatible with this solemnly and generally proclaimed opinion of the people."

This statement, by a conservative member of the Reichstag, is a clear indication of the economic motivation of German expansion. In the face of such statements, it is impossible to believe that the annexationists, including both industrialists and conservative statesmen, were interested in expansion for military reasons alone; the industrial and business motives stand out too boldly and clearly.

Among the conservative parties, the National Liberals, traditionally regarded as the party of industry, were strong annexationists. On 15 August 1915, their Central Committee

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1 Veit Valentin, Deutschlands Aussenpolitik, 1890-1918, p. 265.

issued a declaration in favor of extending the German boundaries in both the East ahd the West, and demanding the acquisition of a colonial empire. The Progressive People's Party, more liberal in its outlook, while opposed to what it termed "boundless annexation plans," nevertheless favored some annexations and opposed the rejection of territorial claims. One of the prerequisites of security, in their view, was "a necessary enlargement of territory."

It seems clear from the foregoing that the aggressive policies of Germany's industrial leaders and conservative statesmen during the war years were founded on a firm conviction that annexations involved substantial business advantages. This is clear first from the specific admissions contained in the petition of the six economic associations and in speeches of conservative statesmen, and second from the fact that annexations were consistently opposed by labor groups and liberal statesmen who must certainly have had as much interest in the security of Germany as the industrial and business interests.

IV. THE WEIMAR PERIOD

The early stage of the war, when Germany appeared to be winning, was, as we have seen in the preceding section, a period of great frankness about the objectives of foreign policy. The expansionist appetites of German industry emerged with crystal clarity. When we come to the period of the Weimar republic, however, the situation is entirely changed. A new set of political relations, both internally and externally, was imposed upon Germany as a consequence of the collapse of 1918. The revolution failed to touch the fundamental structure of imperial Germany, but it did impose a new suit of political clothes on the old body social. This, and the weakness of defeat, posed entirely new problems to the German people and their leaders.

So far as the German people were concerned, they were for the first time possessed of political power; their task was to find out how to use it for their own benefit. So far as the old rulers were concerned, the feudal aristocrats and their industrial allies, their privileges remained intact but they had lost the power to govern as they chose; their task, as they saw it, was to recover that power. Struggles over foreign policy corresponded to and reflected this fundamental conflict about who was to rule Germany.

There were three main attitudes towards foreign affairs in the republican interlude: internationalism, "Stresemannism," and intransigeance. Let us consider each of these very briefly.

Internationalism believed in the renunciation of power politics, hence also in disarmament, and in the establishment of a genuine world order, towards which the League of Nations was looked upon as the first step. It presupposed the existence of democracy, and was naturally the policy advocated by the groups which were really democratic in their political beliefs, namely the Social Democrats, the Democratic Party, and important elements in the Catholic Center Party.

"Stresemannism," i.e., the policy pursued by Stresemann from 1923 to 1939, was a long way from a principled internationalism, though under the conditions of the time the two were largely in agreement on actual issues as they arose. Stresemann, following the lead of Rathenau, believed in fulfilling the conditions of the peace treaty and in international cooperation as the only feasible way to restore Germany's strength and freedom of action. But Stresemann himself had always been a strong nationalist and expansionist, and there is no reason to assume that he ever changed in this respect. He went into politics as a representative of industrialists (secretary of the Saxon Manufacturers' Association), was an ardent exponent of annexations during the war, remained a monarchist while he was serving the republic, and never ceased to believe in Germany's need of a colonial empire.[1] These are not

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1 Stresemann established a Colonial Department in the foreign office in 1924. The following year he indignantly rejected an interpretation of one of his speeches to the effect that he was not interested in colonies. See Diaries, Letters and Papers, Vol. II, pp. 277-8.

the characteristics of a genuine internationalist. The fact is that Stresemannism was a policy of expediency and could have led, in case of success, to a resumption of pre-1914 expansionism. There is little doubt that Stresemann's own party (the Peoples Party) and the members of the Nationalist Party who went along with him looked forward to just such a future.

Finally, the third attitude toward foreign policy is what we have called intransigeance. This was maintained throughout the republic by the extreme nationalists; its most famous exponents were Hugenberg, who became leader of the Nationalist Party in 1928, and Hitler. Besides expressing the unbounded expansionist ambitions of the German right, intransigeance in its day-to-day effect was primarily a weapon of sabotage against the Republic and against those who wanted to use the Republic to achieve their aims. The intransigents naturally did everything in their power to foster German rearmament, at first secretly but as time went on with increasing boldness.

Where did German industrialists fit into this picture of attitudes towards foreign affairs?

An altogether insignificant number of industrialists could properly be classified as internationalists. Walter Rathenau, the chairman of the electrical combine A.E.G., is the one great exception. At the time of his appointment to the foreign office in 1922 he was extremely unpopular with his fellow industrialists, to say nothing of the fanatical nationalists who were responsible for his murder several months later. As his biographer expressed it, "The industrial magnates hated him, his nationalist and anti-semitic enemies overwhelmed him with insulting and threatening letters." [1] It was German labor, not industry, that organized huge demonstrations on the occasion of Rathenau's murder.

German industrialists, then, were either "Stresemannites" or intransigents. In the main the dividing line was coordinate with that between light and heavy industry. Stresemann himself was a representative of the finishing industries and in the main his policies reflected their attitude. [2] Heavy industry --

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1 H. Kessler, Walther Rathenau, p. 316.

2 The following biographical details supplied by the translator of Stresemann's Diaries, Letters and Papers are instructive: "His first appointment, at the age of twenty-two, was as assistant in the management of the Association of German Chocolate Manufacturers in Dresden. He at once plunged into the task of inducing the small men to combine against the power of the Heavy Industries and Agriculture, with their policy of high tariffs on raw materials. Thence he passed to the secretaryship of the Dresden-Bautzen Manufacturers' Association. This was soon expanded into the Association of Saxon Industrialists....Here Stresemann was confronted by identical problems; the industries with which he was concerned were mainly finishing industries, concerned with increasing exports and securing cheap raw material, in conflict with the Association of German Manufacturers, which, backed by the Farmers' Union, stood out for high tariffs." Vol. I, p. viii.

coal, iron, steel -- was predominantly intransigent. The conflict was clearly visible within Stresemann's own party, in the foundation of which Stinnes had played a large part. Right up to his death Stinnes was in continuous and bitter conflict with Stresemann over foreign policy. As we shall see presently, the heavy industrialists played a crucial role in the eventual overturn of the republic and the rise to power of Hitler.

An intermediate position between the light and the heavy industries was held by the chemical industry, which means, after 1925, by I. G. Farbenindustrie, the largest single German trust. This situation is revealed in the inner politics of German business. Before the war German industry was organized in two so-called peak associations (Spitzenverbande): the Zentralverband der Industrieller, representing heavy industry, and the Bund der Industrieller, representing light industry. With the growing threat from the left in the period of the revolution, these two organizations merged into the Reichsverband der deutschen Industrie. Their differences over economic and business policies, however, were by no means liquidated, and inner conflicts continued. Eventually, with the founding of I. G. Farbeindustrie in 1925, the two factions came to a compromise: Carl Duisberg, head of I.G., was elected president of the RDI and continued to hold that position until his retirement in 1931. By this time, however, I. G. itself had moved more and more into the field of heavy industry; moreover its interest in preserving German agriculture as an outlet for its nitrate production induced I. G. to at least qualified support of protectionism, in spite of the fact that in the chemical industry proper it had little to fear from foreign competition. The result of these developments was that the balance between light and heavy industry, with chemicals in the mediator's chair, was destroyed; heavy industry in alliance with I. G. Farben came into undisputed control of the machinery of organized business. This fact was symbolized by the election of Krupp von Bohlen to succeed Duisberg as president of the RDI.

The attitude of the chemical industry towards foreign policy, lay, as one might expect, somewhere between Stresemannism and intransigeance. This can be seen very clearly in the speeches and writings of Duisberg, [1] himself a non-party man. Definitely more authoritarian than Stresemann, more uncompromising in his nationalism, equally concerned with the reconstitution of a colonial empire, Duisberg was still a long way from the intransigeance of a Hugenberg or a Kirdorff. He regarded the Dawes and Young Plans as definite steps forward for Germany, and in general accepted the method of discussion and negotiation as intelligent and permissable. Duisberg, for example, would certainly never have stooped to the tactics of Schacht and Vögler (of the Vereinigte Stahlwerke) who went with Stresemann to Paris to negotiate the terms of the Young Plan and then returned home to spearhead the Nationalist opposition

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1. Abhandlungen, Vorträge und Reden aus den Jahren 1922-1933.

to its acceptance. Duisberg, like Stresemann, was willing to have the republic gain any successes it could; he was probably more willing than Stresemann would have been to abandon the republic as soon as he was convinced that it would no longer serve.

As we have already seen, the chemical trust came closer to heavy industry as time went on, and during the depression their differences ceased to be important. Only the light industries, then, remained among manufacturers to support the moderate policies of Stresemann and those who wanted to carry on in his tradition. It is not surprising that this influence was relatively weak, that the great weight of pressure from industry was increasingly cast into the balance on the side of intransigeance, which means in effect against democracy and for the renaissance of German expansionism. The attitude of heavy industry, which thus finally became decisive, can be studied in a variety of ways. We shall confine our attention to two problems, both important in this respect. The first is the question of German rearmament, which from the producer's side is almost entirely an affair of heavy industry; the second is the rise of Hitler to power, which was strongly supported by heavy industry.

Since Germany's military establishment, including war industries, was strictly regulated by the Versailles treaty it follows, of course, that information on more extensive preparations is not easy to obtain. Nevertheless, enough has been uncovered by such researchers as Vagts,[1] Noel-Baker,[2] and Benoist-Méchin[3] to permit us to see the general outlines of the picture with reasonable clarity. The following summary follows in the main the treatment of Benoist-Méchin, but it should be pointed out that on important questions there is no substantial difference of opinion among the above-named authorities.

Almost from the end of World War I Germany's arms manufacturers, for the most part great combines which constitute the very heart of heavy industry, set about preparing Germany for another effort at conquest. In this they were encouraged and assisted by the military authorities, both in the army and in the government. It is significant in this connection that the genuinely republican parties in the Reichstag were never able to establish effective control over the Reichswehr Ministry even when they were in power. The period from 1919 to 1929, according to Benoist-Méchin, was one of experimentation and research. Due to the provisions of the Versailles treaty a great deal of this activity could more conveniently be carried on abroad. Hence German engineers and German capital invaded the armament industries of the neighboring

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1 Alfred Vagts, A History of Militarism, (1937).

2 Philip Noel-Baker, The Private Manufacture of Armaments, 2 vols. (1937).

3 J.G.P.M. Benoist-Méchin, Histoire de l'Armee Allemande, 2 vols. (1938).

states. Explosive and chemical work was carried on in Holland, aviation in the Soviet Union, artillery in Switzerland and Sweden, U-boat in Spain. The important firms at Bofors in Sweden and Oarlikon in Switzerland, to mention only two that are well known to Americans, came under the domination of Krupps during the 20's, and it is therefore no accident that Switzerland and Sweden produced some of the best guns that have so far been used in the present conflict.

The Interallied Control Commission departed from Germany in 1927, and it was not long thereafter that German industry was ready to pass to a new phase, that of putting factories in readiness for mass production of models developed abroad. This phase lasted, roughly from 1929 to 1932. By 1932, according to Benoist-Mechin, productive facilities for finished armaments were already largely reconstituted, and "it remained only to insert the raw materials and to set the machines in motion." (Vol. II, p. 381) It is thus a great mistake to suppose that German rearmament was entirely the work of Hitler. So far as the production of finished weapons was concerned a great deal of the necessary work had already been accomplished by heavy industry in cooperation with the Reichswehr before Hitler came to power. Hitler's task was rather that of reorganizing the whole German economy to fulfill the enormous demands of modern total war.

A bright light upon the attitude of German industrialists toward rearmament in the Weimar period is provided by a recent speech of Karl Waninger, director of Rheinmetall-Borsig, one of the great metallurgical and arms-producing combines. (The speech is reported in the 15 April 1943 issue of the Völkischer Beobachter.) Excerpts from Waninger's remarks follow:

> "The reconstruction after the World War, which had smashed up everything and dispersed our 200 artillery engineers, is particularly interesting. We saved what we could, and above all we transferred the designs and construction models to various places in central Germany. We managed to find employment for a number of elderly and experienced artillery construction engineers in our own works....
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> "The fact that any new development of guns was prohibited in Germany led to a cautious and farsighted measure when, in July 1921, at the demand of the Reich naval command, the firm opened up a construction office in Friedrichstrasse in Berlin, which was disguised as a wagon construction office....
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> "Rheinmetall was at that time (1923) the only factory which went ahead with the development of artillery under enemy rule, making use of all the tricks of camouflage.
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> "One must have lived in Düsseldorf in those days to realize what the words 'We were busy with the further development of German artillery' really meant. In the meantime a new and small gun factory was set up and able to start work in the summer of 1925.... After a decline in development in the field of artillery in Germany's years of distress, the construction offices grew continuously after the foundation of the Third Reich.

> Rheinmetall was without a rival in its original field of activity, that of the manufacture of minethrowers and other weapons used in close fighting. It also took a decisive part in equipping the artillery with guns up to the heaviest calibre. Afghanistan, the Argentine, Bulgaria, Estonia, Greece, Holland, Rumania, San Salvador, Turkey, and Hungary were among the nations which we supplied after 1933."

One gets here, in impressionistic form to be sure, a picture of heavy industry's attitude toward Germany's military position in the inter-war period. The disaster of defeat, the struggle to reconstitute Germany's armed might in the face of obstacles interposed from within and without, the release of energies which came with the victory of National Socialism -- all these can be clearly read in Waninger's brief remarks.

Not all rearmament activities were driven underground. Where they remained in the open they assumed apparently innocuous forms. The most famous of these bore the title "Statistiche Gesellschaft" which was formed in 1926 at the suggestion of the Army Arms Office (Heereswaffenamt) and was designed to promote cooperation between officer-economists and industrialists. Subsequently General Thomas, now head of the Wirtschafts- und Rustungsamt, heaped praise on the accomplishments of this and similar undertakings.

The activities of heavy industry, however, were by no means confined to the technical level of rearmament. They were also directed to the establishment of a regime which would once again have the will to use weapons of force in international relations. Since the parties of labor held a crucial position in the balance of power so long as the republic existed, and since they never wavered from their internationalist faith, it came to pass that destruction of the republic itself was a precondition to renewed German expansionism. Heavy industry devoted itself to this task with unflagging zeal.

An important part of the relation between industry and anti-republicanism is revealed in the career of one man, Alfred Hugenberg, the evil genius of German politics in the Weimar period. Hugenberg, scion of an undistinguished landed family of the Weser valley, started a career devoted to reaction and chauvinism already while at the University. An early member of the Pan-German League, he became an unremitting exponent of German expansionism in every direction. His politics, plus an undoubted talent for business affairs, landed him on the directorate of Krupps, where, as Clark remarks, "at last business and political interests were happily wedded." (R. T. Clark, The Fall of the German Republic, p. 180.) After the war he decided to take a more direct part in politics. Using money gathered from his business friends and associates and taking full advantage of the opportunities offered by the inflation, Hugenberg in a few years made himself the publicity king of Germany. A large chain of newspapers, press agencies, advertising bureaus, and the great UFA film trust came into his control. A big businessman in his own right, he now possessed the means of pushing himself ahead in right-wing political circles and,

despite opposition from the traditional landed conservative factions, he took over leadership of the German National People's Party in 1928. Hugenberg's political platform was always and everywhere "unwavering uncompromising opposition to the republic." (Clark, p. 181) "The external goal (was) surprisingly similar to that of Hitler." (Konrad Heiden, Adolf Hitler, Vol. I, p. 256.) Hugenberg had acquired (key) positions for promoting this program: he headed the political party which included not only big industrialists but the largest part of the conservative landowning classes, and he controlled absolutely the greatest propaganda machine in Germany. The only thing that Hugenberg lacked was a popular following, which, unfortunately for him, was essential as long as Germany remained a republic. Failing to secure popular support himself, Hugenberg was forced to make an alliance with the only man who could supply the popular following for the ends which Hugenberg was serving, namely, Hitler. Thyssen, Chairman of Vereinigte Stahlwerke, has estimated that the Nazi Party received some RM 2,000,000 per annum from big industrial corporations in the years before it came to power. "But," he adds, "they did not give directly to Hitler; they gave it to Dr. Alfred Hugenberg, who placed about one-fifth of the donated amounts given by heavy industry at the disposal of the National Socialist Party." (I Paid Hitler, p. 102.) If this estimate is reliable, it means that industrialists were putting around RM 10,000,000 per annum at the disposal of Hugenberg, and that Hugenberg, besides financing all his own varied political enterprises, was acting as broker between industry and the Nazi movement. It is not surprising that as the crisis deepened in Germany, Hugenberg came to play a more and more important role in promoting Hitler's interests. It was he who engineered the so-called Harzburg Front of the right political parties and associations in October 1931, and in the final cabinet shuffle which brought Hitler to power Hugenberg again played a crucial role, particularly in persuading old Hindenburg to turn the chancellorship over to the Nazis. It goes without saying that Hugenberg hoped and expected to dominate Hitler, and did not dream that he would be pushed aside by the Fuhrer.[1] But that is entirely a question of personal ambition, so far as Hugenberg was representing the interests and objectives of heavy industry, and there is no doubt that he was, he achieved the goal for which he had worked ever since the war, namely the overthrow of the republic and the rebirth of German expansionism on a scale never before approached.

Finally we may note briefly what is well-known and has been touched upon already, namely that heavy industry played an important role in financing the Nazis and in helping them to power. Thyssen relates how he came into, contact with Hitler, through Ludendorff, even before the putsch of 1923. Though at the time a member of the Nationalist Party, Thyssen contributed to Hitler and continued to land active support,

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1 But he is still in Hitler's good graces. He received some months ago the Eagle shield of the German Reich; and Goebbels gave him a widely advertised laudatory speech at the last meeting of UFA in 1947. Hugenberg is still a Reichstag member.

both financial and otherwise, from that time on. Thyssen finally joined the Nazi party in 1931. Other industrialists were equally active and some probably more useful to the Nazis. Emil Kirdorff, Director-general of the Rhenish-Westphalian coal cartel, became a member of the party long before Thyssen and is referred to by the latter as a "great finanical backer" of Hitler.[1] (I Paid Hitler, p. 99) Albert Vögler, a director of Vereinigte Stahlwerke and a thoroughgoing anti-republican who had gone to Paris as a German expert for the Young Plan negotiations in 1928 and had subsequently joined the nationalist opposition to acceptance of the Plan, was another veteran Hitler supporter. Baron von Schroeder, Cologne banker close to the Ruhr industrialists, arranged the important interview between Papen and Hitler in January 1933 and also was instrumental in getting much-needed funds for the party treasury which had suffered severely as a result of reverses in the November 1932 Reichstag elections. Many other big names in German industry and finance are mentioned by various authorities on the Nazi movement. The evidence in each case, however, is necessarily incomplete, and little is gained from listing individuals. More significant is the kind of general information provided by Thyssen from his first-hand observation. As has already been pointed out Thyssen estimated that contributions from corporations to the Nazis, via Hugenberg, amounted to RM 2,000,000 per annum. This is only what was given to the party's central treasury; it does not include contributions to local party leaders and formations, nor, as Thyssen himself points out, does it include "the various sums which industrial enterprises were obliged to provide for the party's numerous special manifestations." (p. 103) All in all, it is probable that the total amount that the Nazis collected from corporate sources exceeded by several times the estimate of Thyssen.

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1 Kirdorff's own account of his relation to National Socialism, printed in the Preussische Zeitung of 3 January 1937 is very instructive: "In 1923 I came into contact for the first time with the National Socialist Movement..,I first heard the Führer in the Essen Exhibition Hall. His clear exposition completely convinced and overwhelmed me. In 1927, I first met the Führer personally. I travelled to Munich and there had a personal conversation with the Führer in the Bruckmann home. During four and a half hours Adolf Hitler explained to me his program in detail. I then begged the Führer to put together the lecture he had given me in the form of a pamphlet. I then distributed this pamphlet in my name in business and manufacturing circles. Since then I have placed myself completely at the disposition of his movement. Shortly after our Munich conversation, and as a result of the pamphlet which the Führer composed and I distributed, a number of meetings took place between the Führer and leading personalities in the field of industry. For the last time before the taking over of power, the leaders of industry met in my house together with Adolf Hitler, Rudolf Hess, Hermann Goering and other leading personalities of the party." Hitler personally conferred the Eagle Shield of the German Reich on Kirdorff on the occasion of the latter's 80th birthday.

A very revealing incident, also alluded to by Thyssen, was Hitler's speech to the Industry Club of Düsseldorf in January 1932. Hitler was introduced to the gathering by Thyssen and spoke for two hours. The speech, though kept secret at the time, was subsequently published.[1] It is an extremely interesting speech, since it shows very clearly how Hitler, the consummate politician, judged what his audience wanted to hear. He presents a temperate defense of private property as a reflection of inherent personal merit, and then proceeds to an analysis of the plight of Germany and the program of his movement to bring about a revival. The twin devils of Hitler's piece are democracy and internationalism which he pictures as being inextricably linked together. Germany needs order, discipline, and obedience internally; externally she needs armed might which will enable her to acquire what is most essential: living space and the respect of the rest of the world. According to Thyssen, "The speech made a deep impression on the assembled industrialists, and in consequence of this a number of contributions flowed from the resources of heavy industry into the treasuries of the National Socialist party." (p. 101)

Of course, not all of Germany's heavy industrialists backed Hitler's rise to power. But among those who did not there was often no question of principle involved. For example, Krupp von Bohlen was a political opponent of the Nazis; he tried to engineer a rapprochement between Gregor Strasser and Schleicher which might easily have had the effect of splitting the Nazi party if it had been successful. Subsequently, Krupp von Bohlen tried to dissuade Hindenburg from appointing Hitler to the Chancellorship. "But," as Thyssen notes, "as soon as Hitler had the power, Herr von Krupp became one of his most loyal party adherents." (p. 104).

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1 The most important parts are published in translation in My New Order (1942) a collection of Hitler's speeches edited by R. DeRoussy de Sales.

V. THE NATIONAL SOCIALIST PERIOD

Two facts have to be kept in mind in discussing the relation between Germany's industrial structure and Nazi expansionist policies:

1. All means of communication have been tightly controlled since Hitler's access to power; and

2. Up to the very outbreak of the war the Nazi regime insisted on its peaceful intentions and therefore did not permit communication that tended to reveal its true aims.

For these reasons, overt statements of business leaders demanding Germany's territorial expansion are very scarce indeed. Our analysis must thus be based largely on indirect evidence, by the method of inferring back from certain objective data to intentions and policies. About the only case of an openly expansionist industrialist in the Nazi period is Werner Daitz. Daitz is an engineer who controls the Possehl Combine and the blast furnace works in Luebeck. He has been since 1931 a member of the Party Directorate in charge of economic questions and in 1933 was made Deputy Chief for Economic Policies in the Political Office of the Party. He is now in charge of the office for "Special Tasks" in the Aussenpolitisches Amt of the National Socialist Party. He is one of the few industrial leaders whose biography is contained in the semi-official publication of the Ministry of Economics, Aufbau der Wirtschaft im Dritten Reich.[1] He is close to Kurt Weigelt, a director of the Deutsche Bank, member of the supervisory board for the German-Asiatic Bank and of the German East-Africa Corporation. Daitz may be considered the most important man in the planning of the "new order." He created the so-called Gesellschaft für Europäische Wirtschaftsplanung und Grossraumwirtschaft E.V. and is the president of its Führerring. This organization publishes every year a volume dealing exclusively with the Germanization of the European continent.[2] He may be considered today as the most outspoken representative of the aspirations of German industry.

More important, however, is the indirect evidence and it is clear that what can be presented in a few pages must appear rather meagre. Nevertheless, it is possible to suggest, even in a short space, the extent to which heavy industry has extended its scope and power under the Nazis, the advantages which it has derived from German expansion before and during the war, and the intensified interpenetration of governmental and industrial circles which has proceeded under the National Socialist regime. These developments appear to be excellent evidence of the congruence of the aims of industrialists and Nazi party leaders. The expansionist and anti-democratic

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1 By Rolf Fritzsche, Berlin, 1934.

2 See, for instance, Nationale Wirtschaftsordnung und Grossraumwirtschaft, Dresden, 1942.

yearnings of German industrialists, which we have already traced through a considerable span of years, seem to have been fully satisfied -- even if it turns out to be only for a brief moment -- in Hitler's Third Reich.

The outstanding trend is, of course, the delegation of ever-increasing powers over the economy to the self-governing institutions of German industry, especially to the Groups. The National Group No. 1 (industry) is the successor of the Reichsverband der deutschen Industrie; and Gustav Krupp retained under National Socialism the presidency of the National Group No. 1. He was later replaced by Christian Dierig of the Silesian textile firm who, however, was eased out and replaced by Wilhem Zangen, President of the Mannesmann Combine, which has a long history of association with Germany's expansionist policies.[1] All economic, trade and sub-trade Groups in the National Group industry are today controlled by the most powerful industrial combines, especially those of heavy industry.

Through the creation of the Reichsvereinigung Iron and Steel all cartels and other organizations in iron and steel-making were placed under one single leadership, that of Hermann Roechling, a famous German Nationalist and a professional hater of England and America, who with eight other members of his family, controls a substantial sector of Germany's heavy industries. Under National Socialism, the "old" industries, that is, the heavy industries, have assumed the leadership over the whole industrial sector. All manufacturing industries are based on coal or, to a lesser degree, on lignite. The most significant development under National Socialism is the almost complete disappearance of free coal mines and their transformation into captive coal mines. While in 1913, the free mines controlled over 50 percent of the coal fields, in 1940 they controlled only 10 percent, and this share has since declined due to the incorporation of one of the few remaining free mines, the Bergbau A. G. Lothringen, into the Krupp Combine in May 1943. It is thus that the heavy industries, especially the six Ruhr combines, plus the Frederich Flick (Middle Germany), the Roechling Combine (Saar and Lorraine) and three Upper Silesian Counts (Ballestrem, Schaffgotsch, Donnersmarck) control almost completely the German iron and steel industry. At the same time the antagonism between the old and the new industries, represented especially by I. G. Farben, has become much less severe because I. G. Farben has turned into a heavy industrial combine by the acquisition of coal and lignite mines and iron processing enterprises.

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1 It has long been thought that the Mannesmann brothers were the direct instigators of the Agadir crisis of 1911. Recent revelations, however, have conclusively demonstrated that the role of the Mannesmanns has been greatly exaggerated. The chief actor in this affair was actually Dr. W. C. Regendonz, managing director of the Hamburg-Marokko-Gesellschaft, a firm which had been established by the Hamburg Banking house of Max Warburg. The story is recounted in full by F. W. Pick, Searchlight on German Africa, 1939.

Apart from the general boom which the whole German economy experienced from 1933 on, heavy industry, the two potash combines (Wintershall and Selzdethfurth), and the two new synthetic fiber combines (Phrix and Zellwollring) have benefited by three developments: first, by the Aryanization of Jewish property, which has been acquired not only by the Goering Combine but much more by the above-mentioned private combines; secondly, by the Germanization of property in occupied Europe. It has been the rule to divide the spoils equally between the Goering Combine and the above-mentioned private combines, especially in Luxemburg, Lorraine and Upper Silesia. The exploitation of the Eastern territories has been left almost entirely to private combines which have covered Eastern occupied territory with a network of affiliated corporations. Third, is a process of centralization by which the private combines have taken over quotas and machinery from closed-down enterprises. This process has never been hidden by German writers who accept it as a necessary consequence of Germany's industrial organization.

At the same time, the various groups which make up the German ruling classes have become financially and economically more and more integrated. Himmler as Reich's Commissioner for the Strengthening of German Peopledom disposes of agricultural property in occupied Europe. The chief of the financial department in this office is Professor Conrad Meyer of the Dresdner Bank. Property has been handed out to a large number of Prussian Junkers, such as Josias Erbprinz zu Waldeck und Pyrmont, Graf von Rappoltstein, SS-Oberführer Graf von Alvensleben, General of the Waffen-SS Freiherr Friedrich Karl von Ebenstein, SS-Obersturmbannführer General Eberhard von Massow (formerly adjutant of the Emperor), SS-Gruppenführer Count Friedrich von der Schulenburg (formerly Chief of Staff of the Crown Prince).

Generals and admirals have entered industrial corporations on a larger scale than ever before. General Joachim von Stuelpnagel (the brother of Otto von S., military commander of France) is owner of the Berliner Boersenzeitung, where the Minister of Economics Funk started his career. The Stuelpnagels control the Waldhof Cellulose Trust with interests in Finland and Sweden. They have now joined forces with the Hoesch Combine and assumed control of the former Jewish firm, Maschinenbau und Bahnbedarf AG, Berlin.

General Felix Warlimont is a brother of Lieutenant General Warlimont, who is chief of the Joint Planning Staff in the Supreme Command of the Armed Forces. Warlimont owns and controls part of the Metallgesellschaft and is represented in I. G. Farben. Admiral Heusinger von Waldeck is powerful in the Krupp Combine where he is in charge of the Deutsche Werke Kiel and almost all other Krupp shipbuilding plants. These are merely examples. High civil servants (Marotzke, Posse, Trendelenburg) have entered powerful industrial combines. Party industrialists (Kehrl, Roehnert, Voss, Mainberg, Pleiger and others) have taken charge of the Goering Combine but have also entered private corporations. In the most important Ministry, that for Armament and Munitions, all the major departments and all the Hauptausschuesse for rationalization and the placing of government orders are headed by representatives of the most powerful industrial combines, such as Voss and Pleiger (Goering) Rohland (Krupp), Blohm (of Blohm and Voss) Tix (Bochumer Verein) while in the Armament Council of the Ministry, where the activities of

the Hauptausschuesse are integrated, the United Steel Trust, Roechling, Goering, Mannesmann, and Siemens are represented.

The facts which have been presented in this section are, of course, far from exhaustive; many more could easily be added. But, we believe that enough have been adduced to make unavoidable the conclusion that the Nazi regime has neither abolished nor replaced the traditional structure of German industry with its expansionist ambitions. Past trends have been intensified, the preponderance of heavy industry has been enhanced, expansionism has moved from the realm of hope to the realm of practice. What this shows is the complete identity of interests and views of industrialists and party politicians. The logical development of the social structure established in 1871 is thus seen to be the National Socialist empire.

VI. CONCLUSION

It has been shown that throughout recent German history monopolistic industry -- especially heavy industry -- has been a force making for foreign aggression and expansion. Influence has been exerted through representatives in government and the army, through the manufacture of public opinion via press and patriotic societies, through support of anti-democratic and expansionist political movements -- in short through every device of pressure politics. The moral seems to be the obvious one that the peace of Europe, and hence of the world, will, at the very least, be more secure in the future in proportion as the expansionism of German industry can be eliminated or neutralized. We ought, therefore, to ask under what conditions German industry would not be in a position to exert expansionist pressure, or alternatively under what conditions this influence would be relatively unimportant in shaping Germany's international role. To these large questions we may devote a few concluding remarks.

It has been suggested that one cure for the pernicious influence of German heavy industry is to liquidate it. While there is much logic in the contention, it seems to contemplate an unnecessarily drastic solution. The demographic conditions of central Europe -- size and distribution of populations -- have evolved in close dependence on the growth of German industry. Destruction of the latter would involve widespread pauperization, depopulation, and migration. Clearly such an outcome is to be avoided if possible.

A more promising approach to the problem would center attention on the structure of German industry. If this could be so altered as to eliminate the present extreme degree of monopolization and to effect a considerable dispersal of wealth and power, it is clear that much would be gained. The aggressive animus of German industry might not be completely eliminated, but it is safe to assume that it would be blunted and rendered less dangerous to the rest of the world. Ways and means of realizing this objective ought, therefore, to be given careful thought. It is as well, however, not to place too much reliance on this device a priori. Recent economic history suggests that the centripetal tendencies inherent in large-scale production are very deep-rooted and tenacious. No attempt to neutralize or reverse these tendencies has yet been successful, either in this country or abroad. This does not mean that the task is a hopeless one, but it does mean that one should not count too heavily on success in the case of Germany -- especially in the case of Germany where a strong tradition of independent competitive enterprise never took root.

Aside from the two approaches which have been outlined, or some combination or variant of them, there does not seem to be any direct method of attack on the problem of German industry. But there are indirect methods which deserve consideration.

Two circumstances must be recalled. First, the expansionism of German industry is related not only to its monopolistic organization but also to the fact that it has grown up

in a restricted area which has been increasingly boxed off economically from the rest of the world. This suggests that, if it should prove impossible decisively to alter the structure of industry, the barriers which isolate it from its markets and sources of raw materials could be lowered or perhaps even abolished. Second, the danger to the rest of the world which has stemmed from German industry has depended upon the enormous political influence of German industrialists. This suggests that if industrialists could be effectively confined to their proper sphere of operations, which is business, and genuine popular control over political matters could be firmly established, Germany would be as well-behaved a member of the international community as the peaceful democratic nations have been in recent times. Let us expand briefly upon these two suggestions.

German industry would be much less interested in the location of Germany's frontiers if the latter were not surrounded by all manner of barriers to the free movement of goods. The United States of Europe -- economically united at least -- which has so often been advocated on other, and perhaps more important, grounds would thus contribute largely to the solution of the problem in which we are interested. Moreover, the incorporation of Germany into a large free trade area would, paradoxically, deal a blow to German war potential. No doubt Germany would become more heavily industrialized than ever before, but the other side of the coin would be a shrinking of the size and an alteration of the character of German agriculture to such a degree that self-sufficiency for the purposes of making war would be impaired.

Finally, what can be done to break the political power of German industry? Obviously establishment of a democratic regime. But, as the Weimar republic showed, that in itself is not enough; industry, utilizing its unbroken connections in the governmental apparatus and the army, and relying heavily on its traditional alliance with the East Elbian landed aristocracy, was able to overthrow the republic and re-establish a regime to its taste. Clearly, under similar circumstances, that could happen again. Social as well as political reforms are essential in order to break the political power of industrialists. These social reforms should include, as a minimum program: 1) destruction of Junkerdom as a cohesive force in German life. This would be largely effected by incorporation of Germany in a great free trade area, but the process should not be left entirely to the effects of cheaper foreign food imports; there should also be put into effect a planned program of division of estates, resettlement and scientific land utilization. The consequences to the industrialists of a loss of their powerful, but socially parasitic, aristocratic allies would be enormous. 2) Cleansing of the civil service, judiciary and armed forces of feudal and anti-democratic elements. This would have the effect of breaking the most important direct links between industry and governmental power. 3) Nationalization of all arms-producing industries that might remain to Germany under the terms of the peace treaty. This would tend to eliminate one important channel through which industry and government have interpenetrated each other in the past.

If these social reforms were carried through vigorously and thoroughly, German democracy would be a very different thing from the flimsy facade of the Weimar republic. Industrialists would be effectively isolated from political power; they would be obliged to tend to their businesses. If at the same time, the economic fragmentation of Europe were overcome there should be less incentive to try to get back into politics.

Does this mean that all danger from industrial expansionism would have been eliminated? No, it does not. If the world remains the victim of periodical and devastating economic depressions there is little hope that such a structure could be maintained. In depression, protectionism would certainly come back (just as it has tended to do even among the individual states in this country) and with it expansionism. Moreover, the unrest of unemployment and poverty would create a fertile field for the rebirth of anti-democratic movements. In short, no scheme of reform which fails to touch the problem of depression can rest on secure foundations. To supplement and complete the measures already suggested, one more must be added: an international program of economic stabilization which would guarantee the maintenance of reasonably high levels of income and employment. Such a program does not imply centralized control of all economic activity; it could be realized with less friction and better results through effective co-ordination of vigorous anti-depression programs on the part of the major powers. It is probable that no other measure or series of measures would pay better dividends in securing the foundations of international peace.

It may appear that we have departed widely from our original problem of the expansionist tendencies of German industry. But in reality we have only demonstrated what should indeed be obvious, that we set out to deal not with an isolated or isolable problem but with one strand in a seamless web of forces which have produced two world wars in the short space of twenty-five years. To prevent a third world war, it will be necessary to deal with these forces in their complex interrelation. German industry is a part of the German problem; Germany is a part of the European problem; and Europe is a part of the world problem. Destruction of Junkerdom, cleansing of the German governmental apparatus of anti-democratic elements, nationalization of the German arms industry, an economic federation of European states, and an international program of economic stabilization -- these measures would neutralize the aggressiveness of German industry and in so doing would help to prepare the basis of a peaceful international order.